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ACTION IO-13

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SUBJECT: UNDP 23RD GOVERNING COUNCIL: WRAP-UP

1. SUMMARY: THE THREE-WEEK 23RD SESSION OF THE UNDP GOVERNING COUNCIL, CONCLUDED ON FEBRUARY 4, LAUNCHED BY CONSENSUS UNDP'S PROJECTED \$2.45 BILLION SECOND (1977-1981) FIVE-YEAR PROGRAMMING CYCLE DESIGNED TO ASSIST OVER ONE HUNDRED COUNTRIES. THE NEED FOR INCREASED FUNDING AND IMPROVED FINANCIAL MANAGEMENT CONTINUED TO BE MAJOR PRE-OCCUPATIONS. HOWEVER, ANNOUNCEMENT OF INCREASED CONTRIBUTIONS BY THE UK AND THE FRG, A CALL BY ADMINISTRATOR MORSE FOR A SEARCHING REVIEW OF THE FUTURE ORIENTATION OF UNDP AT THE NEXT GC SESSION IN JUNE AND, ESPECIALLY, PERMANENT REPRESENTATIVE YOUNG'S REAFFIRMATION OF STRONG US SUPPORT FOR THE PROGRAM AND FOR MORESE, ENGENDERED CAUTIOUS OPTIMISM THAT UNDP IS EMERGING FROM THE DOLDRUMS. A US-BACKED INITIATIVE FOR RESOLUTION OF THE OVERHANG OF \$40 MILLION

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IN UNUSABLE, NON-CONVERTIBLE CURRENCIES (MOSTELY FROM COMMUNIST COUNTRIES) GAINED CONSIDERABLE GROUND. THE COUNCIL ADOPTED A STRONGLY-WORDED DECISION SATISFACTORY TO US SO THAT WE AGREED NOT TO PRESS AT PRESENT OUR TWO SPECIFIC PROPOSALS ON THIS ISSUE. THE SESSION WAS ALSO NOTABLE FOR THE AVOIDANCE OF POLEMICS AND POLITICIZATION. CHINA, CUBA AND THE ARAB STATES ALL ASSUMED A VERY LOW PROFILE THROUGH-

OUT THE MEETING AND POTENTIALLY CONTENTIOUS POLITICAL ISSUES WERE EITHER NOT DISCUSSED (PLO, VIETNAM) OR IF DISCUSSED (THE APPROVAL OF THE CHILE COUNTRY PROGRAM) WERE KEPT WELL WITHIN ACCEPTABLE BOUNDS. END SUMMARY.

2. COUNCIL ADDRESSED BY KEY LEADERS THE IMPORTANCE WITH WHICH UNDP CONTINUES TO BE VIEWED BY MAJOR DONOR GOVERNMENTS WAS UNDERSCORED BY THE APPEARANCE OF THREE TOP LEADERS. AMBASSADOR ANDREW YOUNG MADE HIS FIRST STATEMENT AT A UN MEETING. THE FRG MINISTER OF ECONOMIC COOPERATION AND THE UK MINISTER FOR OVERSEAS DEVELOPMENT ALSO JOURNEYED TO NEW YORK TO ADDRESS THE COUNCIL. THE DETAILED US STATEMENT PRESENTED BY US REP MYERSON THE FIRST WEEK WAS ALSO WELL RECEIVED.

3. NON-POLITICAL SESSION. THE SESSION WAS ALSO SIGNIFICANT IN ITS MORE-THAN-USUAL BUSINESSLIKE APPROACH. POLITICS AND IDEOLOGY, WHICH ARE TRADITIONALLY MUTED IN THE GOVERNING COUNCIL, WERE ALMOST TOTALLY ABSENT AT THE 23RD SESSION DESPITE SEVERAL POTENTIALLY DIVISIVE ISSUES: UNDP ASSISTANCE TO CHILE AND VIETNAM; AND THE REAL POSSIBILITY THAT SOME COUNTRIES MIGHT HAVE RECOMMENDED THAT A SET AMOUNT OF UNDP ASSISTANCE BE PROVIDED TO THE PLO ON THE GROUNDS THAT UNDP ALREADY PROVIDES ASSISTANCE TO AFRICAN LIBERATION MOVEMENTS RECOGNIZED BY THE OAU. OF THESE ISSUES ONLY THE APPROVAL OF THE CHILE COUNTRY PROGRAM FOR THE PERIOD 1977-1981 ELICITED ANY DISCUSSION. THIS WAS RELATIVELY BRIEF AND DID NOT PRESENT CONSENSUS ADOPTION OF THE CHILE PROGRAM. THE NON-LIMITED OFFICIAL USE

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IDEOLOGICAL NATURE OF THE SESSION WAS IN CONSIDERABLE MEASURE THE CONSEQUENCE OF LOW-KEY PERFORMANCES BY THE ARAB STATES, CUBA, USSR AND CHINA. THERE WERE NO MAJOR CHINA-USSR CONFRONTATIONS SUCH AS THOSE WHICH ENLIVENED SEVERAL RECENT COUNCILS. AND EVEN THE US PROPOSALS ON USE OF NON-CONVERTIBLE CURRENCIES, WHICH IS POLITICALLY-TINGED IN THE EYES OF THE USSR AND SOME OTHER COUNTRIES, ELICITED LITTLE HOT DEBATE IN PLENARY.

4. ADMINISTRATOR MORSE'S PERFORMANCE. MORSE WAS ACTIVE THROUGHOUT THE SESSION AND STRENGTHENED HIS ALREADY HIGH STANDING WITH PRACTICALLY ALL DEVELOPING AND DEVELOPED COUNTRY DELEGATIONS. DESPITE LACK OF SIGNIFICANT PROGRESS TO DATE ON UTILIZATION OF NON-CONVERTIBLE CURRENCIES, AND WHAT MANY BELIEVE IS AN OVERLY-CAUTIOUS APPROACH ON UNDP REORGANIZATION AND MANAGERIAL REFORMS, HE ENJOYS WIDESPREAD CONFIDENCE. CANADA WAS THE MOST OUTSPOKENLY CRITICAL COUNTRY ON BUDGET AND MANAGEMENT QUESTIONS.

5. STRONG DECISION ON NON-CONVERTIBLE CURRENCIES. THE PROBLEM OF NON-CONVERTIBLE (COMMUNIST) CURRENCY ACCUMULATIONS, STRONGLY PUSHED BY THE US AT THE LAST SESSION OF THE COUNCIL AND POINTEDLY RECALLED AT THE BEGINNING OF THIS SESSION, PROVED TO BE THE MAJOR ISSUE OF THE MEETING. THE RESULT WAS A THOROUGH AIRING OF THE SPECIAL ARRANGEMENTS REQUIRED BY THE COMMUNIST COUNTRY-DONORS, AND COUNCIL ADOPTION BY CONSENSUS OF A STRONGLY-WORDED TEXT.

6. THE US REINTRODUCED ITS PROPOSAL FROM THE 22ND COUNCIL TO PURCHASE NON-CONVERTIBLE CURRENCY FOR ITS OWN USES, AND IT INFORMALLY INTRODUCED A SECOND PROPOSAL WHICH WOULD MAKE THESE CURRENCIES AVAILABLE TO LDC GOVERNMENTS. FOLLOWING A SERIES OF US-USSR BILATERAL TALKS AND INFORMAL DRAFTING SESSIONS (WITH CANADA, THE UK, FRG AND NETHERLANDS IN THE LEAD) WE AGREED NOT TO PRESS OUR PROPOSALS NOW LIMITED OFFICIAL USE

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BUT TO SUPPORT A COMMON WESTERN TEXT INSTEAD. IN OUR VIEW THE DECISION PASSED BY THE COUNCIL, WHILE MODIFIED IN ITS WORDING TO MEET CERTAIN COMMUNIST COUNTRY SENSITIVITIES, SERVED NOTICE THAT THE COUNCIL EXPECTS MARKED PROGRESS TO BE MADE DURING THE FIRST HALF OF 1977 IN REDUCING THE OVERHANG OF \$40 MILLION OF UNUSABLE CURRENCIES PLAGUING UNDP.

7. ONE IMPORTANT CONSEQUENCE OF THE DEBATE OVER THIS ISSUE WAS AN UNEQUIVOCAL STATEMENT (FOR THE FIRST TIME) BY MORSE THAT THE NON-CONVERTIBLE CURRENCY PROBLEM REMAINED UNRESOLVED. HE REQUESTED THE COUNCIL'S GUIDANCE, WHICH WAS EVENTUALLY PROVIDED. THE DECISION FOCUSED THE ATTENTION OF THE GC ON THE RESPONSIBILITY OF THE ADMINISTRATOR AND THE COUNTRIES CONTRIBUTING IN THOSE CURRENCIES TO ADDRESS THE PROBLEM; AND IT CLEARLY WARNED AGAINST A SOLUTION TO THE PROBLEM WHICH CONFERRED SPECIAL PRIVILEGES ON ANY DONOR OR RECIPIENT COUNTRIES.

8. THE USDEL WELCOMED THE DECISION, AFTER ITS ADOPTION BY THE GC, AND STRESSED THAT OUR PROPOSALS, NOW BEING HELD IN ABEYANCE, MAY BE PURSUED IN THE FUTURE IF THE PROGRESS EXPECTED IS NOT ACHIEVED. THUS THE US MAINTAINED A LEADERSHIP ROLE ON THIS IMPORTANT ISSUE MAINTAINED GOOD COMMUNICATION WITH THE SOVIET DEL, AND KEPT ITS OPTIONS OPEN FOR THE FUTURE. (ADDITIONAL DETAILS AND ASSESSMENT ARE REPORTED IN SEPTELS).

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9. FUTURE ROLE OF UNDP. ALTHOUGH INCREASED FUNDING FOR UNDP AND IMPROVED MANAGEMENT WERE MAJOR PREOCCUPATIONS, A NEW INTELLECTUAL EFFORT TO HAVE THE COUNCIL REVIEW, AND POSSIBLE REDEFINE, THE UNDP'S FUTURE ROLE WAS SIGNALLED IN MORSE'S OPENING ADDRESS. RECALLING HIS REMARKS TO THE JUNE 1976 GOVERNING COUNCIL ON CONCEPTUAL PROBLEMS AND FUTURE ORIENTATION OF UNDP, MORSE PROPOSED TO PRESENT TO THE 24TH SESSION (JUNE 1977) A DOCUMENT LAYING OUT ISSUES AND ALTERNATIVES OF THE FUTURE ROLE OF UNDP IN VIEW OF CHANGING DEVELOPMENT NEEDS AND NORTH-SOUTH RELATIONS. MORSE TENTATIVELY POSITED TWO KEY ALTERNATIVES FOR UNDP IN ITS RELATION WITH THE OTHER AGENCIES OF THE UN SYSTEM: (A) UNDP'S CENTRAL ROLE WOULD DECLINE IN IMPORTANCE IF AN INCREASING PROPORTION OF THE TECHNICAL ASSISTANCE ACTIVITIES OF THE SYSTEM WERE FUNDED DIRECTLY BY THE SPECIALIZED AGENCIES FROM THEIR REGULAR BUDGETS OR UNDER TRUST FUND ARRANGEMENTS; OR (B) GOVERNMENTS COULD TAKE DECISIONS TO

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"RESTORE UNDP TO ITS INTENDED POSITION AS THE PRIMARY FINANCIAL SOURCE FOR TECHNICAL COOPERATION IN THE SYSTEM...".

THE FINANCING ISSUE IS OF COURSE CLOSELY RELATED TO THAT OF THE FUTURE COORDINATING ROLE FOR UNDP AT THE FIELD LEVEL THROUGH COUNTRY PROGRAMMING APPLIED TO ALL UN AGENCY TECHNICAL ASSISTANCE.

10. THERE WAS A GENERALLY FAVORABLE REACTION TO MORSE'S CALL FOR A COUNCIL REVIEW OF UNDP'S ROLE. HOWEVER THIS FAVORABLE MOOD IS COMBINED WITH AN UNDERLYING RELUCTANCE BY MANY TO OPEN TOO MANY DOORS WHICH MIGHT SERVE TO UNDERMINE THE UNEASY COMPROMISE CONTAINED IN THE 1970 CONSENSUS RESOLUTION (2268) OF THE UNGA. THE CONSENSUS LAYS OUT THE GENERAL GUIDELINES AND PARAMETERS OF UNDP'S PRESENT ACTIVITIES AND MODES OF OPERATION.

11. WHILE NO DEVELOPED COUNTRY HESITATIONS SURFACED PUBLICLY, HESITATIONS AND INDEED SOMETHING CLOSE TO AN ATTITUDE OF FEAR MANIFESTED THEMSELVES IN THE CASE OF SEVERAL LDC'S. INDIA AND BRAZIL WERE THE MAIN SPOKESMEN FOR THIS VIEW. WHILE NOT ATTEMPTING TO KILL MORSE'S REVIEW PROPOSAL, THEY AND OTHER LDC'S MADE A MAJOR EFFORT TO LIMIT ITS SCOPE AND IMPORTANCE BY OBJECTING TO ITS BECOMING (AS PROPOSED BY THE FRG AND STRONGLY SUPPORTED BY THE SCANDINAVIANS, DUTCH AND OURSELVES) A SEPARATE AGENDA ITEM FOR THE NEXT SESSION OF THE COUNCIL. THIS REFLECTED CONCERN THAT ANY CHANGE IN THE CONSENSUS, PARTICULARLY WITH RESPECT TO COUNTRY PROGRAMMING, ESTABLISHMENT OF PRIORITIES, AND ESSENTIAL CONTROL OF ACTIVITIES AT THE COUNTRY LEVEL MIGHT BE SHIFTED FROM INDIVIDUAL GOVERNMENTS TO THE UNDP. IT SEEMS CLEAR THAT MAJOR DEVELOPING GOVERNMENTS ARE UNWILLING TO ALLOW INTERNATIONAL BODIES SUCH AS THE UNDP GOVERNING COUNCIL, TO ATTEMPT TO ESTABLISH GENERALIZED GLOBAL PRIORITIES WHICH MAY OR MAY NOT FIT INDIVIDUAL COUNTRIES' TECHNICAL ASSISTANCE REQUIREMENTS AND DEVELOPMENT PRIORITIES AS THEY SEE LIMITED OFFICIAL USE

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THEM. THEY ALSO FEAR A FURTHER SHIFT OF EMPHASIS TO THE POOREST COUNTRIES, TO THE SOCIAL ASPECTS OF DEVELOPMENT, AND MORE EMPHASIS ON HELPING THE MOST DIS-ADVANTAGED GROUPS IN ALL RECIPIENT COUNTRIES.

12. MORSE SEES THE 24TH SESSION'S REVIEW OF UNDP'S FUTURE AS THE MAJOR DISCUSSION OF THE FIRST WEEK OF THE COUNCIL AND CALLED ON GOVERNMENTS TO SEND HIGH-LEVEL REPRESENTATIVES TO PARTICIPATE IN THIS REVIEW. CAREFUL PREPARATIONS WITHIN THE USG, TOGETHER WITH ADVANCE CONSULTATION BETWEEN MAJOR DONORS AND THE UNDP ADMINISTRATION, ARE INDICATED IF THE NEXT COUNCIL MEETING IS TO ACHIEVE A USEFUL OUTCOME ON THIS ISSUE.

13. OTHER ISSUES.

A. THE PRINCIPLES OF INCREASING SELF-RELIANCE AND GREATER PARTICIPATION BY DEVELOPING GOVERNMENTS AND INSTITUTIONS IN THE UNDP PROJECT IMPLEMENTATION PROCESS WERE CONFIRMED IN THE DISCUSSION OF "GOVERNMENT EXECUTION OF PROJECTS AND NEW DIMENSIONS OF TECHNICAL COOPERATION." WESTERN GOVERNMENTS CONTINUED TO COUNSEL CAUTION IN THE INITIAL IMPLEMENTATION OF THOSE NEW APPROACHES AND EMPHASIZED THE NEED TO MAINTAIN THE QUALITY AND COST EFFECTIVENESS OF ALL UNDP FINANCED TECHNICAL ASSISTANCE INPUTS.

B. THE COUNCIL ENDORSED IMPROVED EVALUATION OF PROJECTS AND PROGRAM BY UNDP ITSELF.

C. INDIVIDUAL COUNTRY PROGRAMS OF 15 DEVELOPING NATIONS ALONG WITH UNDP'S INTER-COUNTRY REGIONAL AND GLOBAL PROGRAMS FOR THE PERIOD 1977-1981 WERE APPROVED. THESE TOTAL \$603 MILLION.

D. AS AN ECONOMY MEASURE, AND TO FREE THE UNDP LIMITED OFFICIAL USE

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SECRETARIAT TO CONCENTRATE MORE ON SUBSTANTIVE PROGRAM MATTERS, MORSE ASKED THE COUNCIL TO CONSIDER HOLDING A SINGLE SESSION OF THE GOVERNING COUNCIL EACH YEAR RATHER THAN TWO. THIS PROPOSAL MET WITH PROVISIONAL SUPPORT OF A NUMBER OF DELEGATIONS AND WILL BE DISCUSSED AT THE JUNE SESSION. SEVERAL, HOWEVER, EXPRESSED RESERVATIONS WITH INDIA THE MOST OUTSPOKEN.

E. THE UN FUND FOR POPULATION ACTIVITIES (UNFPA). DISCUSSION FOCUSED ON FLEXIBILITY OF ESTABLISHING PROGRAMMING PRIORITIES, RESTRUCTURING OF TOP MANAGEMENT TO SHIFT TO A SINGLE DEPUTY AND APPROVAL OF FIVE NEW COUNTRY PROJECTS AND ONE NEW GLOBAL PROJECT TOTALLING \$22.9 MILLION.

F. A PERVERSIVE ATTITUDE OF ACCOMMODATION PERMITTED THE ACHIEVEMENT OF A HEALTHY CONSENSUS REGARDING PREPARATIONS FOR THE FORTHCOMING WORLD CONFERENCE ON TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES TO BE HELD IN BUENOS AIRES IN SPRING 1978. GUIDELINES CONCERNING HOW UNDP SHOULD IMPLEMENT ITS TCDC ACTIVITIES BETWEEN NOW AND THE CONFERENCE WERE ALSO APPROVED.

G. THANKS TO A 20 PERCENT INCREASE IN THE UK PLEDGE AND A 25 PERCENT INCREASE IN THE FRG PLEDGE FOR 1977, ADMINISTRATOR MORSE REPORTED THAT THE PROGRAM

NOW EXPECTED TO RECEIVE \$514 MILLION FOR 1977. THIS
AMOUNT WILL MAKE IT POSSIBLE, HE SAID, TO INCREASE
SLIGHTLY UNDP'S EXPENDITURES DURING 1977. BEFORE
THE INCREASED CONTRIBUTIONS WERE ANNOUNCED IT WAS
FEARED 1977 EXPENDITURES WOULD HAVE TO BE REDUCED FROM
THE LEVELS OBTAINING IN 1976.
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